International Mogul Mines Limited / 1972 Annual Report

The Year at a Glance

	1972	1971*
Net Earnings	$ 4,604,000	$ 953,000
Shares Issued and Outstanding	2,607,112	2,607,112
Earnings Per Share	$1.77	$0.37
Cash Flow Per Share	$2.45	$1.02
Proven and Indicated In Place Ore Reserves (tons)	8,420,000	9,080,000
Ore Grade—zinc %	7.05	7.43
—lead %	2.73	2.81
Long-Term Debt Repaid	$ 6,569,000	$ 5,117,000
Shareholders' Equity	$32,586,000	$27,982,000
Per Share	$12.50	$10.73

*Restated for comparative purposes

Annual Meeting
The Annual Meeting of International Mogul Mines Limited will be held on Thursday, April 26, 1973 at 11:00 a.m. in the British Columbia Room of The Royal York Hotel, Toronto, Ontario.

On the cover A specimen of Mogul of Ireland Limited ore showing sphalerite (resinous brown) the zinc sulphide, with galena (bluish grey), the lead sulphide.

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Financial and Production Highlights

Financial Highlights

Statement of Income	1972	1971*	1970*	1969*
Revenue from production of concentrates	$16,014,000	$11,906,000	$14,853,000	$13,606,000
Mine operating profit	8,374,000	5,808,000	7,245,000	6,511,000
Gross cash flow—mining operations	7,676,000	5,112,000	5,895,000	5,106,000
Income before extraordinary items	4,431,000	2,362,000	3,934,000	3,186,000
Per share	1.70	0.91	1.51	1.22
Net income for year	4,604,000	953,000	11,017,000	3,186,000
Per share	1.77	0.37	4.23	1.22
Cash flow earnings	6,385,000	2,657,000	12,968,000	4,860,000
Per share	2.45	1.02	4.98	1.86

Balance Sheet

Working capital	10,373,000	3,869,000	8,435,000	2,375,000
Total assets	52,767,000	41,469,000	44,782,000	35,133,000
Repayment of long-term debt	6,569,000	5,117,000	4,174,000	4,564,000
Long-term debt remaining	929,000	7,022,000	12,139,000	15,631,000
Interests of minority shareholders	12,314,000	3,362,000	2,324,000	1,253,000
Shareholders' equity	32,586,000	27,982,000	27,029,000	16,012,000
Per share	12.50	10.73	10.37	6.14
Common shares outstanding	2,607,112	2,607,112	2,607,112	2,607,112

Production Highlights

Tons of ore treated	813,109	788,771	1,008,565	1,018,705
Grade of ore treated—zinc %	8.83	8.59	10.53	10.22
—lead %	3.00	2.37	2.68	2.42
Production of concentrates				
Tons of zinc concentrates	121,297	115,197	178,388	175,476
Grade of zinc concentrates %	52.51	52.15	50.64	49.54
Tons of lead concentrates	36,278	27,407	38,077	36,473
Grade of lead concentrates %	47.00	44.29	40.90	37.32
Mill recoveries—zinc %	88.02	87.06	83.74	82.68
—lead %	69.12	65.33	57.31	54.99
Metal contained in concentrates**				
—zinc (lbs)	127.4 million	120.2 million	180.7 million	173.9 million
—lead (lbs)	34.1 million	24.3 million	31.2 million	27.2 million

NOTES: *Restated for comparative purposes.
**Totals of metals contained in concentrates are subject to smelter deductions.

Directors' Report to Shareholders

Your directors are pleased to present your Company's annual report for the year 1972.

Consolidated net income for the year amounted to $4,604,000 or $1.77 per share. This includes income from extraordinary items of $173,000 or 7¢ per share. In 1971 consolidated net income was $953,000 or 37¢ per share after an extraordinary loss on investments of $1,409,000 or 54¢ per share.

1972 has been the most profitable year in the history of International Mogul and present indications are that 1973 will be even more profitable. Apart from profit performance, your Company has never been financially stronger and the establishment of a firm base in Australia with considerable assets and expertise in mineral, oil and gas exploration has provided excellent opportunities for future growth in that exciting part of the world. The Company is now clearly in a position to pursue mineral exploration more aggressively than in the past and it has already expanded its exploration activities into Continental Europe.

Despite the reduction in expected zinc and lead concentrate production by Mogul of Ireland during the past year, revenue was at an all-time high, primarily as a result of the increased zinc price, improved concentrate grades and recoveries. Net profit for the year of this 75% owned subsidiary was $6,109,000 and by the year end the remainder of long term debt had been retired in full. Since the beginning of 1969 approximately $21,000,000 of long term debt has been retired, well in advance of maturity dates. The zinc producer price in Europe was increased in February 1973 from £173 to £190 per dry metric ton. The current London Metal Exchange spot lead price is approximately £150 per dry metric ton compared to £130 at the end of 1972. We expect the prices for lead and zinc to remain strong in the foreseeable future particularly since much of the recent increase in the European producer price for zinc is because of currency revaluation. Our present contracts to sell concentrates to smelters in Germany and France come to an end in January 1974. We are presently negotiating new contracts with these smelters. There is no doubt that higher smelter treatment charges than those presently paid will have to be accepted in the new contracts, but the expected strength in zinc and lead prices should do much to offset these increases. During 1973 we will be stepping up our exploration efforts in the vicinity of the mine to increase ore reserves available for mining.

In 1972 we increased our investment in Australia. The assets and activities of your Company in Australia now represent a significant part of your company's operations. During the past few years your management has become convinced that there are significant rewards to be obtained in oil and gas exploration. Our investment in Bluemount Resources was our initial entry into this area, and we believe that the future world energy requirements justify your Company increasing its activities in the search for oil and gas. We now have the opportunity to participate in the growth of the oil and gas business in Australia and we expect this to play an important role in your Company's future. In addition to a substantial investment in Woodside-Burmah Oil N.L., our Australian companies are directly engaged in oil and gas exploration in promising areas which are described in more detail in the following material. The Australian group of companies have substantial liquid assets to provide the means for further expansion and continued operation.

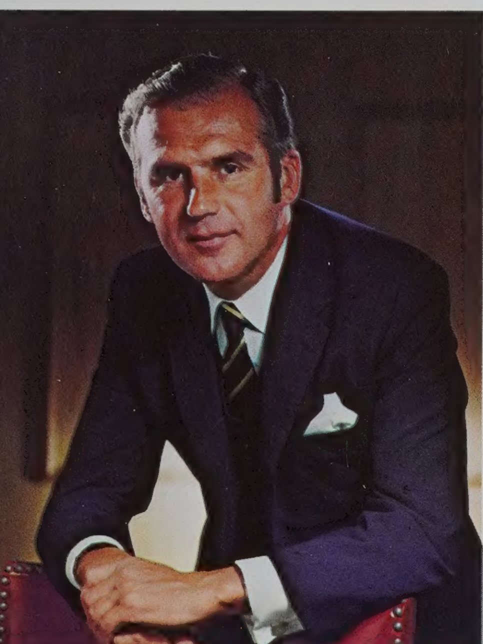
The Bahamas will become an independent country on July 10, 1973. We believe that the uncertainties which have existed in regard to the Bahamas for the past few years have begun to dissipate. The Grand Bahama Development Company continued to sell real estate during 1972, although its profits declined. The Development Company has diversified its operations and is now engaged in real estate development in the Canary Islands and has acquired 10,500 acres of real estate in Florida not far from Walt Disney World. We continue to believe that our investment in the Development Company will be a profitable one for International Mogul.

In 1970 we announced our intention to seek out and invest in attractive new or expanding businesses. Since then we have looked at literally hundreds of situations and become involved in a few. We are presently concentrating on the venture operations we have and expect to show a profit on the overall venture operations although we have in 1972 provided for possible losses on some particular ones. In terms of management effort and funds deployed, it is clear that more predictable results can be expected by investing in larger, existing operations than in financing and assisting new ventures. However, we are proud to play a part in the development of some small businesses which are demonstrating an ability to grow successfully and profitably.

Mogul's primary business is to seek out and develop natural resources. Continuing sources of cash flow will be sought to sustain an expanded programme of exploration and acquisitions in both the mineral and oil and gas areas. Mogul is actively seeking investment opportunities to fulfil this need. In addition exploration activities for both minerals and oil and gas will be accelerated.

The Company is negotiating with two national underwriting firms for the issue and sale of up to $6,000,000 of cumulative, redeemable, convertible preference shares with a

D. W. Knight
Chairman of the Board and Chief Executive Officer



F. Gerald Townsend
President and Chief Operating Officer

par value of $20 each. A preliminary prospectus relating to the issue is expected to be filed in the near future with the various provincial securities commissions. The proceeds from this issue will supplement the Company's ability to expand its primary business of developing natural resources.

Now that the long term debt of Mogul of Ireland has been repaid in full and a cash flow will be generated from Ireland, an initial dividend policy of a 25¢ annual dividend per common share, payable semi-annually on July 1 and January 1 as to 12½¢ per common share, has been established. On March 23, 1973 your directors declared the first semi-annual dividend of 12½¢ per common share, payable on July 1, 1973 to shareholders of record on June 1, 1973.

Your Company believes that its initial dividend policy should be modest until its future cash flow needs have been secured as discussed above.

In reviewing the financial position of the Company and its earnings, shareholders should be aware of the extent of International Mogul's material investments which are not income bearing but which do have potential growth. These include the Australian investments, New Quebec Raglan, Coldstream, Bluemount and Grand Bahama Development. Of the total assets of $52,767,000, $36,409,000 represents assets related to non-income producing assets. These assets have very good overall potential for the future and your Company expects to see benefits accrue from them in the next few years.

At December 31, 1972 the quoted market value of marketable securities included in Current Assets and those included in Investments were $9,782,000 and $8,447,000 respectively. The comparative figures as of March 15, 1973 were $12,500,000 and $11,200,000 respectively.

During 1972 and recent months there have been major changes in the relationships between the various world currencies. International Mogul has been fortunate in that its Australian assets have increased significantly in value in terms of Canadian dollars. Because the revenue from zinc concentrates of Mogul of Ireland Limited is related to the European Producer Price for zinc quoted in pounds sterling, which is generally adjusted upwards if sterling is effectively devalued against other major currencies, and because the smelter treatment charges are expressed in U.S. dollars, the net result has been an increase in the revenue of Mogul of Ireland when translated into Canadian dollars.

The International Mogul Group now has over 700 employees working in various parts of the world. It is a tribute to their loyalty, interest and efforts that we are able to give an encouraging report to you concerning 1972 and the future plans of your Company. On your behalf we thank them.

In the annual report as supplementary information we have provided explanatory comments to the financial statements. We trust shareholders will find this helpful.

On behalf of the Board of Directors,

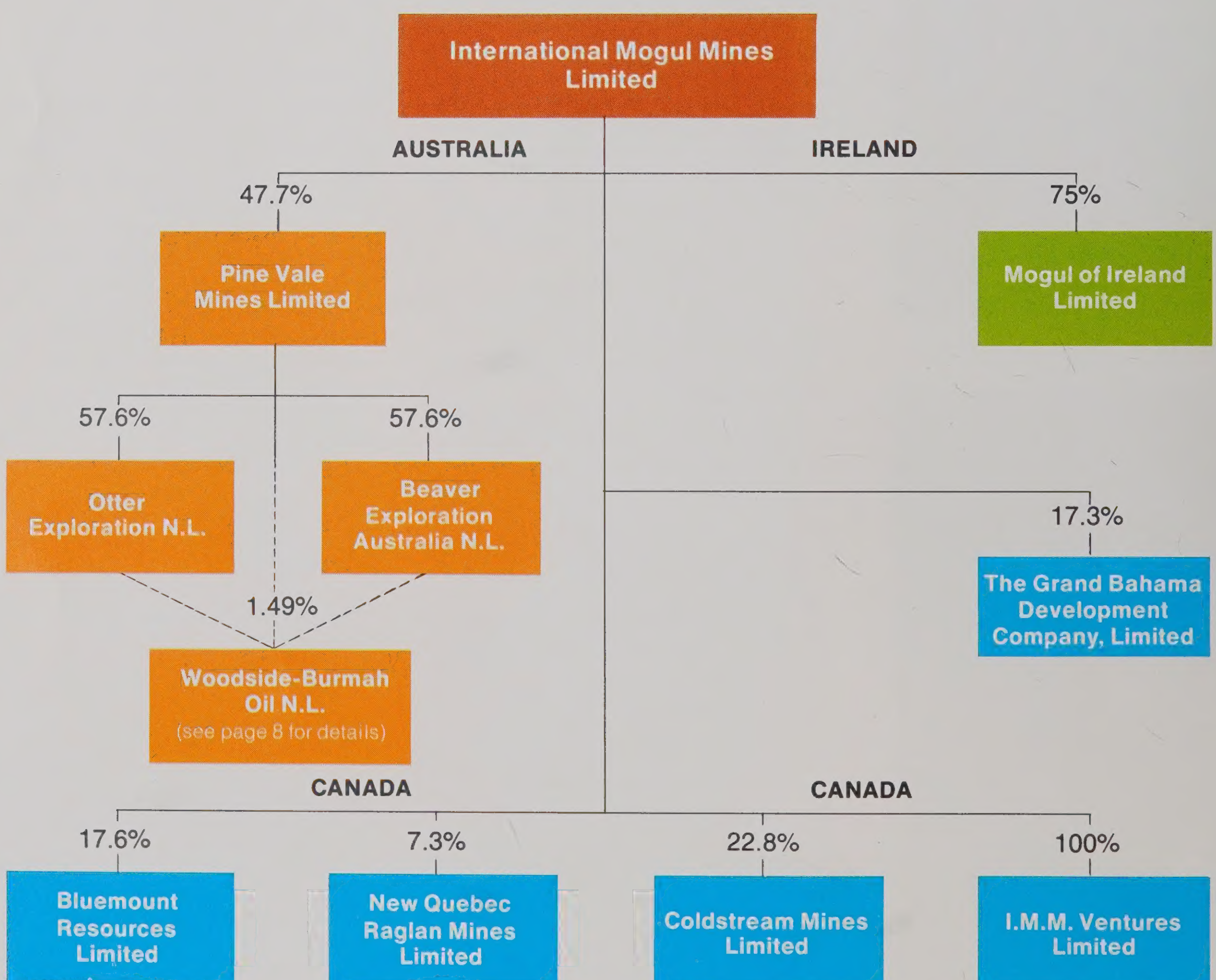
Chairman of the Board and
Chief Executive Officer

D. Gerald Townsend.

President and
Chief Operating Officer

Toronto, Ontario
March 26, 1973

Principal Mogul Controlled and Associated Companies



Mogul of Ireland Limited

Operating profit for the year of the Company's 75% owned subsidiary was $8,374,000. After deducting interest charges on long-term debt, royalties, depreciation and amortization charges, net profit amounted to $6,109,000. Results for the year, the best realized since the commencement of production in 1968, were achieved despite a reduction in mill throughput to approximately 81% of normal caused by a plant fire and temporary national power shortages.

$6,500,000 First Mortgage Bonds and a $1,000,000 subordinated loan were retired during the year leaving Mogul of Ireland free of long-term debt at the year end. In the fifty-five month period since mill start-up in May, 1968 to the end of 1972, Mogul of Ireland has been able to redeem well in advance of maturity its entire long-term indebtedness in the original aggregate amount approximately $21,000,000.

Exploration

During the year nine surface diamond drill holes were completed in the mine area comprising 7,056 feet in the continuing exploratory surface drilling programme which commenced in 1969, utilizing one machine.

Significant results were obtained in the "S" area approximately 4,000 feet west of the shaft. Due to difficult overburden conditions this area will be further tested by underground diamond drilling. In November drilling commenced to test the Silvermines Fault Area east and west of, and between the "G" and "B" ore zones. A minimum of 25,000 feet of surface drilling, to be completed prior to the end of 1973, is planned to test this area.

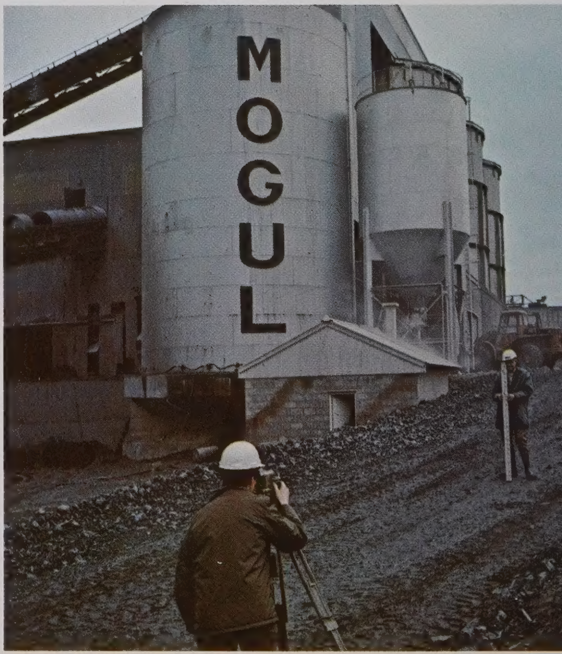
Mine Development

Development during the year was concentrated in the Lower "G" ore body, in the North Panel area immediately east of the shaft and in the "B" zone. The inclined ramp and the bored ventilation raise required for the development of the "B" zone were completed and haulageway development commenced. Additional pumping, ventilation and underground maintenance facilities were installed. The utilization of trackless equipment in development increased during the year.

All development expenditures during the year were absorbed in operating costs, none being deferred.

Exploration and Development Footage Summary

	1972	1971	1970	1969
Surface diamond drilling	7,056	11,246	33,760	6,128
Underground diamond drilling	14,270	33,278	63,041	41,534
	21,326	44,524	96,801	47,662
Major development	8,719	5,687	8,708	7,258
Stope preparation	10,460	12,611	15,942	11,540
	19,179	18,298	24,650	18,798



Ore Reserves

Total broken and in-place proven and indicated ore reserves including dilution at year end were 8,420,000 tons grading 2.73% lead and 7.05% zinc. Ore reserves showed a depletion of 660,000 tons after the milling of 813,109 tons.

Details of ore reserves are as follows:

Ore Body		Tons	% Lead	% Zinc
Proven:	Upper "G"	4,346,000	2.03	8.34
	Lower "G"	1,377,000	3.48	4.75
	Total "G"	5,723,000	2.38	7.46
Indicated:	"B" Zone	2,634,000	3.49	6.07
	Total	8,357,000	2.73	7.03
	Broken	63,000	2.56	9.65
	Grand Total:	8,420,000	2.73	7.05

Included in the above tonnage is approximately 1,842,000 tons grading 2.44% lead and 7.44% zinc contained in permanent pillars and other unmineable areas currently classified as unrecoverable. It is likely, however, that when current ore reserves become depleted towards the end of the life of the mine, some portion of this tonnage may be profitably extracted.

Mining

Total ore broken during the year amounted to 789,011 tons. Ore fully prepared for stoping amounted to 735,576 tons. Long hole drilling for production purposes totalled 521,548 feet. Cemented backfill placed underground using deslimed mill tailings amounted to 212,857 tons.

Milling

813,109 tons were milled during the year grading 3.00% lead and 8.83% zinc. Concentrate production amounted to 36,278 short dry tons of lead concentrate and 121,297 short dry tons of zinc concentrate. Continued improvement in metallurgical performance was experienced throughout the year with lead and zinc concentrate grades increasing 2.71% and 0.36% respectively over the previous year while recoveries increased 3.79% and 0.96% respectively.

Capital Expenditures

Capital expenditures during the year for new equipment and facilities amounted to $170,125. The major portion of this expenditure was for underground trackless mining equipment.

General

The average metal prices received during the year for lead and zinc were 13.63 and 17.57 cents respectively per pound of metal compared to 11.59 and 15.62 cents respectively in 1971.

The suspension of production caused by a mine plant fire early in the year is covered by insurance which will recover a significant portion of losses. An estimate of the amount of insurance recovery to be received under this claim has been included in revenue.

At year end there was a total work force of 571, including 112 on staff. Total expenditures for salaries, wages and production bonus during the year amounted to $3,120,306 compared to $2,585,130 in 1971. This represents approximately 46% of mine operating costs.

Economic Achievements of Mogul of Ireland Limited in The Republic of Ireland from 1964 to 1972

Export sales	£21,918,000
Salaries and wages	£4,738,000
Supplies, services and other purchases	£7,779,000
Outside exploration in mine area	£156,000
Capital expenditures	£9,001,000
Repayment of borrowed funds	£8,958,000
Number of employees at end of 1972	571

During the year the Company acquired shares in the capital of Pine Vale Mines Limited establishing its interest at 47.7% of the issued shares. Pine Vale increased its interest in Beaver Exploration Australia N.L. and now holds 57.6% of the issued shares. Pine Vale also holds 57.6% of the issued shares of Otter Exploration N.L. Pine Vale, Beaver and Otter are referred to as the "Pine Vale Group".

The Company has invested approximately $3,465,000 (net of gains on share sales) in the acquisition of effective control of the Pine Vale Group. As at December 31, 1972 the Pine Vale Group had working capital including marketable securities and investments both at market value of $14,394,000 and long-term debt of $596,000. The Pine Vale Group is engaged in exploration and development of mineral and oil and gas properties in Australia, Papua and New Zealand. Its total exploration budget for 1973 has been set at a minimum of $1,700,000 to be financed from working capital of the Pine Vale Group.

Woodside-Burmah Oil N.L.

The principal asset of the Pine Vale Group consists of an investment in approximately 1.49% of the fully paid and partly paid shares in the capital of Woodside-Burmah, an oil and gas exploration and development company which holds a 50% interest in approximately 143,000 square miles of off-shore oil and gas exploration concessions on the North West Shelf of Australia. Woodside-Burmah must select half this acreage by the end of 1975. The other half will then revert to the Crown. The acreage reverting to the Crown need not include the reserves referred to below.

In December, 1972 Woodside-Burmah announced it has a 50% interest in proven and probable reserves in the North Rankin pool of 18.5 trillion cubic feet in place which, using a recovery factor of 55%, would be equivalent to 10.2 trillion cubic feet of natural gas reserves. Woodside-Burmah also indicated that it has a 50% interest in other fields in this area, namely Rankin, Goodwyn and Angel, which would likely add a further 10 trillion cubic feet of recoverable proven and probable reserves. Woodside-Burmah has also made a gas discovery at Scott Reef, 600 miles northeast of the other four pools. By comparison the Canadian Petroleum Association has reported that as at December 31, 1971, total Canadian proven and probable gas reserves were 62 trillion cubic feet. In addition to these major gas discoveries, Woodside-Burmah has had oil flow from three wells. These wells were Rankin No. 1, Eaglehawk No. 1 completed in December, 1972 and Goodwyn No. 3 completed in February, 1973. None of these discoveries is considered commercial, although each is encouraging from a geological standpoint.

In addition to Australia, the principal markets for the gas will probably be Japan and the United States where (subject to Australian government approval) the gas would be sold as liquid natural gas or methanol.

Currently there are three offshore drilling rigs being used on Woodside-Burmah's holdings. Woodside-Burmah and its joint venturers have announced that they plan to spend approximately $85,200,000 on these properties in the next two years.

The shares held by the Pine Vale Group consist of a total of 941,104 fully paid shares and 843,968 partly paid shares which are paid as to 30¢ (Aust.) per share and are subject to call to the extent of a further 20¢ (Aust.) per share. The total holdings of the Pine Vale Group, amounting to 1,785,072 shares of Woodside-Burmah, represent approximately 1.49% of the outstanding shares.

The net beneficial interest of the Company in Woodside-Burmah, through its holdings in the Pine Vale Group, is equivalent to 377,501 fully paid and 341,242 partly paid shares. The fully paid shares and the 30¢ partly paid shares of Woodside-Burmah trade on The Sydney Stock Exchange Limited and on other Australian stock exchanges.

As at March 15, 1973 the quoted value of the fully paid shares and the 30¢ partly paid shares, expressed in Canadian funds was $5.38 per share and $4.91 per share respectively.

Beaver Exploration Australia N.L.

Beaver is participating in the exploration for crude oil and natural gas on properties in which it holds various working and carried interests in a gross area of 33,000 square miles in Australia, Papua and New Zealand.

These interests include:

(i) A 25% participation equally with Amax Petroleum (Australia) Ltd., Mitsui & Co. Ltd. and Sumitomo Shoji Kaisha Ltd. as "farm-in partners" in a 3,198 square mile (2,046,720 acre) off-shore exploration permit. This property lies between 30 and 110 miles from shore on the North West Shelf and lies beneath 250-350 feet of water. The property was acquired under a farm-out agreement from the Woodside-Burmah Group. The basic obligation under the farm-out agreement, to conduct at least 500 miles of high quality seismic survey, was completed in August 1972 and resulted in identification of several targets which may merit drilling. One such target measures approximately 50 square miles in area. Drilling is expected to commence in the latter half of 1973 when rigs are expected to be available. Since Beaver and its "farm-in partners" will earn a 50% interest in any producing area, Beaver's net interest in any production would be 12½%.

(ii) A one-sixth participation with Continental Oil Co., Basin Oil, N.L., and Reef Oil, N.L., in a 9,650 square mile (6,176,000 acre) permit in Papua. Seismic work has resulted in mapping two structures in detail, both of which appear to be attractive drilling prospects. The participants are planning to drill the larger of the two prospects during the second half of 1973.

(iii) A 20% carried interest in a 6,460 square mile (4,134,400 acre) exploration permit offshore in the Arafura Sea. This property is located under moderate water depths ranging from 150 to 200 feet. Preliminary reconnaissance seismic work has been encouraging but has not yet delineated drilling

prospects. Once drilling is warranted, Beaver must elect (subject to governmental approval) to reduce its carried interest to 5% or to accept, in effect, a 5% carried interest and a 15% working interest.

(iv) Two petroleum exploration licenses in northwestern New South Wales covering 9,990 square miles (6,393,600 acres). Geological surveys and studies are in progress with geophysical surveys contemplated for 1974.

(v) In New Zealand, Beaver holds exploration licenses covering 4,070 square miles (2,604,800 acres) where geological studies are now in progress. Beaver previously conducted a seismic survey and drilled three exploratory wells in the area, none of which were productive. Further seismic surveys are planned for 1974.

The programmes referred to above can readily be financed from Beaver's working capital.

Pine Vale owns 23,671,000 shares with a par value of 25¢ (Aust.) each in the capital of Beaver, being 57.6% of the outstanding shares. Such shares are paid up by Pine Vale to the extent of 10¢ per share, with the balance of 15¢ per share being subject to call.

Options are outstanding to subscribe for 37,774,900 shares of Beaver, exercisable on or before October 31, 1974 at a purchase price per share equal to the amount paid-up on the then outstanding shares. The unpaid portion of the par value of such shares will be subject to call. Pine Vale holds 1,450,000 of these options. Beaver shares and share options are actively traded on The Sydney Stock Exchange and other Australian stock exchanges.

If all such options were exercised and the calls made by Beaver on all the outstanding shares an additional $22,169,000 would be raised by Beaver and would be available for continued exploration and development. Of this amount Pine Vale would be required to provide $5,557,000. Upon exercise of all options the interest of Pine Vale in Beaver would be reduced to 31.8%.

Otter Exploration N.L.

Otter is engaged in exploration in Australia and New Zealand for base and precious metal deposits. In Australia, exploration rights are held in Queensland, New South Wales and Western Australia. As at December 31, 1972 Otter had working capital of over $1,300,000 to finance its exploration activities. For 1973 Otter has planned an active exploration programme which will include diamond drilling of promising areas.

Pine Vale is the beneficial owner of 57.6% of the outstanding shares of Otter, all of which are fully paid.

Other

In addition to the interests described above, the Pine Vale Group holds the following investments:

1) 100% of the issued shares of Drilling Contractors (Australia) Pty. Limited held by Beaver. Drilcon owns and operates three land oil drilling rigs. Operations were profitable in 1972.
2) 29% of the issued shares of Parkland & Properties Limited with an option to acquire an additional 10%, held by Beaver. Parkland owns a chain of five caravan parks on prime real estate on the east coast of Australia which has shown a substantial increase in value.
3) 28% of the issued shares of McDonald Industries Limited held by Pine Vale. McDonald is engaged in real estate and property development.

Exploration

In addition to the mineral exploration programs of Mogul of Ireland and the Australian Pine Vale Group, International Mogul is conducting exploration programmes, principally for base metals, on its own behalf and in participation with others in Ireland, the United States, Canada, Wales, and Continental Europe. The 1973 exploration budget, excluding Mogul of Ireland and the Pine Vale Group, has been set at approximately $800,000. The main exploration projects of the Company during 1972 are described below.

REPUBLIC OF IRELAND

Basin Exploration (Ireland) Limited, a wholly owned subsidiary, carried on surface exploration for base metals on several areas in Ireland held under prospecting licenses. Its principal activity was concentrated on the area of over 600 square miles in various Counties held in participation with Bethlehem Copper Corporation Limited. In County Sligo diamond drilling intersected narrow widths of zinc mineralization. Additional drilling targets have been defined for testing during 1973.

Basin also conducted percussion drilling on properties located in the Counties of Offaly and Leitrim held in participation with associated companies.

Two planned drill tests in County Clare and County Cork were deferred and are now scheduled to commence during 1973.

UNITED STATES

Participation continued in the Cordex Syndicate to which the Company provides 25% of the exploration costs for a 20% interest in mining properties acquired. The syndicate, which is managed by Cordilleran Explorations, has concentrated its activities in the western states and since 1970 has examined a number of base metal and precious metal prospects. The Pinson gold deposit, discovered in 1971, has been optioned to another company for further evaluation and production feasibility study. A number of projects were percussion drilled during 1972. Drilling is continuing on a prospect located near Preble Mountain in Nevada to establish possible gold ore potential.

CANADA

Nova Scotia—Lake Ainslie Project

The Company owns or has certain rights to 135 contiguous mineral claims comprising 5,400 acres in Inverness County, Cape Breton Island. The surface exploration programme which commenced in 1971 was completed in 1972. The purpose of this programme, which included diamond drilling, was to enlarge the ore potential existing on the property. Approximately 4,500,000 tons of material grading

an average of 33.37% barite and 17.42% fluorite has been drill indicated. Metallurgy and cost studies are continuing to determine the economic viability of this project.

British Columbia — Chataway Project

A working option was obtained to earn an interest in certain mineral claims located in the Highland Valley area of British Columbia. In this area several large, low grade, bulk tonnage copper deposits have been discovered. Preliminary examinations in 1972 have defined drill targets for testing in 1973.

CONTINENTAL EUROPE

Commencing in 1973 the company plans to spend up to $1,000,000 over a three year period in mineral exploration in Continental Europe, including Spain and Portugal.

Investments

Bluemount Resources Ltd.

Under an agreement between Bluemount and Northern Natural Gas Company of Omaha, Bluemount conducts, supervises and manages an oil and gas exploration programme for the joint account of Northern and Bluemount as to an undivided ⅔ interest for Northern and an undivided ⅓ interest for Bluemount. Maximum annual financial commitments, subject to mutually approved annual budgets, during the term of the agreement from September 1, 1970 to December 31, 1977 total $40,500,000, of which Bluemount's share is $13,500,000. Budgets for 1970, 1971 and 1972 totalling $9,249,000 were approved. The 1973 budget has not been finalized but it is expected to be not less than $5,000,000. If in any year a budget is not approved by Northern it must pay, to Bluemount an amount equal to 15% of Northern's commitment for the year in question. For its services, Bluemount is entitled to be paid a fee by Northern based upon the nature of the expenditures incurred. The fees earned by Bluemount from the commencement of the Northern Agreement in September, 1970 to December 31, 1972 amounted to $1,170,000. Bluemount is entitled to a gross over-riding royalty on the value at the well-head of Northern's share of petroleum substances produced and sold.

Under the Northern Agreement, Bluemount has acquired interests in 1,516,672 gross acres (309,473 net acres) of oil and gas rights in Alberta and British Columbia and the Yukon and Northwest Territories. As of March 15, 1973 Bluemount had drilled 26 exploratory wells. In three of these wells the presence of hydrocarbons has been established although they are not currently producing for economic or technical reasons.

International Mogul owns 200,000 shares of Bluemount and has agreed to purchase from Coldstream Mines Limited an additional 100,000 shares of Bluemount, subject to the approval of the shareholders of Coldstream. On completion of this purchase, International Mogul will own approximately 17.6% of the issued shares of Bluemount.

Coldstream Mines Limited

The Company owns 460,599 shares in the capital of Coldstream which represents approximately 22.8% of the outstanding shares.

Coldstream's principal asset is 801,400 shares in the capital of the Company representing approximately 30.7% of the issued shares.

Coldstream owns approximately 67% of the outstanding shares of City Associated Enterprises Limited, which operates a chain of retail stores and a dry-cleaning business in the Bahamas and participated with French interests in the establishment of a department store in the Bahamas. City Associated operates profitably.

Coldstream also owns approximately 75% of the outstanding shares of Interscan Limited which markets, under franchise, a range of computer input products. These products are marketed in the United Kingdom, Ireland and Continental Europe and are designed to facilitate the entry of data into computer systems. Interscan operated profitably in 1972.

The Grand Bahama Development Company, Limited

Mogul owns 2,000,000 shares, being 17.3% of the outstanding shares of The Grand Bahama Development Company, Limited. The Grand Bahama Port Authority, Limited owns 57.3% of the outstanding shares of the Development Company.

The Port Authority, the Development Company and their various subsidiaries are engaged in the development of an area comprising approximately 214 square miles on Grand Bahama Island, about 80 miles east of Palm Beach, Florida. As part of their development activities they operate a power company, a water and refuse utility company, the Freeport Airport and a construction company. The principal activity of the Development Company is the subdivision and servicing of land.

The Development Company acquired about 110,000 acres principally to the east of the City of Freeport in the area known as Lucaya. Approximately 51,000 of these acres have been improved for sale as homesites and about 31,000 acres have already been sold. The Development Company is dredging a major waterway in a general north-south direction, in order to create a navigable waterway which will give persons on the north side of the Island a water access to the south. The Development Company is also involved in the operation of two gambling casinos, one at the Lucayan Beach Hotel and one in a separate building known as El Casino.

The Development Company and certain residents of the Freeport Area are exempt from income taxes, real property taxes, personal property taxes and capital gains taxes. These exemptions will continue under present regulations until 1990.

As part of the Development Company policy to extend its investments beyond the Bahama Islands, projects have been commenced in Florida and the Canary Islands.

A wholly-owned subsidiary of the Development Company owns 10,500 acres of land in Florida approximately 20 miles from Walt Disney World, which it plans to develop into a high quality, low density, planned residential community. Approximately 185 acres of land near Lake Hatchineha has been deeded to the State of Florida for a wilderness area. Plans have not been completed and estimates cannot be made of the cost of developing the tract, nor has a date for commencement of sales of homesites been determined.

In October, 1972 the Development Company acquired a 50% participation in a joint venture to develop approximately 5,000 acres of land on Fuerteventura, Canary Islands, Spain. The Development Company is committed to advance up to $2,000,000 and manage the joint venture. Master plans for the first phase of development have been submitted to the applicable authorities for approval. Contingent upon this approval, sales are expected to commence in April, 1973.

Net income and gross revenue of the Development Company for the fiscal years ended October 31, 1968 to 1972 inclusive were as follows:

	Net Income (U.S.)	Gross Revenue (U.S.)
1968....	$ 6,424,014	$17,965,017
1969....	16,854,347	33,074,903
1970....	15,041,672	59,837,463
1971....	11,331,632	62,480,540
1972*...	6,833,885	62,212,567

*(unaudited)

Note: — The American Institute of Certified Public Accountants has now adopted new Regulations with regard to accounting practices for instalment land sales companies. Because of these Regulations, the 1972 year-end figures are as yet unaudited and the Development Company is required to re-cast its year-end results from 1968 through 1972 on the basis of these new Regulations. As a result, the above figures will be materially changed. Prior to 1972, the Development Company has been on an accrual accounting basis, which means that the entire land sales price was booked as income in the year sold although paid on the instalment basis. Under the new method of accounting, the amount of income will be booked as received.

I.M.M. Ventures Limited

Incidental to its principal activities, through its wholly-owned subsidiary I.M.M., the Company invested, principally in 1969 and 1970, in certain new ventures.

I.M.M.'s shareholdings include the following: — 73.7% of the issued shares of Electrical Contacts Limited which manufactures and sells products processed from metal powders to manufacturers of electrical equipment; 50.5% of the issued shares of Federal Drilling Supplies Limited which manufactures and sells drilling parts and supplies to the diamond drilling and mining industry; 49.0% of the issed shares of Galanty Limited which is engaged in acquiring the rights to material which can be developed into scripts for motion picture and television programs and which owns 6.7% of the issued common shares of Channel Seventy-Nine Limited, a Toronto television station; and 60.8% of the issued shares of Nielbeck Research and Manufacturing Limited which is engaged in designing and developing coin changing units for the automatic vending machine industry.

New Quebec Raglan Mines Limited

There was no change during the year in the Company's holdings of 567,420 shares in the capital of Raglan being 7.3% of the outstanding shares. Falconbridge Nickel Mines Limited beneficially owns approximately 68% of the outstanding shares of Raglan.

Raglan's property consists of two contiguous mineral exploration licenses and staked claims comprising over 300 square miles in the nickel-copper belt of the Cape Smith-Wakeham Bay Area of Ungava, Quebec.

In the 1972 Raglan Annual Report to its shareholders, the directors of Raglan estimated that the property contained approximately 3,021,000 tons of "well assured" reserves grading 3.06% nickel and 0.73% copper plus an additional 13,029,000 tons of drill indicated ore (including assumed extensions of ore within lateral limits of drilling) averaging a minimum grade of 2.42% nickel and 0.69% copper. In excess of $28,000,000 has been spent in exploration and development work on the property.

Although no programme has been devised for bringing the property into commercial production, the directors of Raglan have indicated that feasibility and engineering studies are continuing. Under the agreement by which Falconbridge became a major shareholder of Raglan, Falconbridge may elect to cause Raglan to undertake to bring its property into production. If Falconbridge makes the election, Raglan would have to undertake to bring its property into production at a minimum rate of 1,000 tons per day within four and one-half years from the date of such election. Raglan may postpone the fulfilment of this undertaking if funds required are not available on terms considered fair and reasonable in the mining industry or if production at such rate would not, in the opinion of an independent consulting mining engineer selected by Raglan, be economically feasible. Under that agreement the Company and another major shareholder of Raglan together have the right to cause Falconbridge to make the production election or, failing such election, have the right themselves to cause Raglan to bring the property into production, in which event a large block of Raglan shares would have to be purchased from Falconbridge.

Falconbridge has a right of first refusal to purchase the Company's holdings in Raglan.

Supplementary Financial Information

Accounting for corporate operations is becoming more complex and even though improvements are constantly being made in accounting presentations and practices, it is becoming increasingly difficult to make reasonable investment decisions on the basis of the financial information normally presented. For example, the emphasis on earnings per share now required to be included in financial statements may well lead a Shareholder to overlook more important aspects of a company's overall financial position and operating results.

To assist our Shareholders towards a fuller understanding of International Mogul's financial statements we offer the following supplementary information.

General

The Company's interests and activities are expanding throughout the world. The accompanying consolidated financial statements were prepared from the accounts of forty-five separate companies now under the control of International Mogul. By contrast in 1968 only five companies were included in the financial statements presented to the Shareholders.

Twenty-nine individual foreign companies are now under the direct control of International Mogul and the basis of translation of the accounts to Canadian dollars is set out in Note 1 to the financial statements.

Following the recent recommendations of the Canadian Institute of Chartered Accountants regarding accounting for long term inter-corporate investments, we have consolidated the accounts of a less than 50% controlled group of companies. This Australian group known as the "Pine Vale Group" has been consolidated as of December 31, 1972 as Management believes that its inclusion more properly reflects the overall financial position of the Company.

Working Capital

The consolidated working capital of the Company increased from $3,869,000 at the end of 1971 to $10,373,000 at December 31, 1972.

Marketable securities now account for approximately one-third of total current assets. The total quoted market value of these securities at year end exceeded total cost by $3,710,000. These same securities valued at market on March 15, 1973 had further increased in value by approximately $2,700,000 to $12,500,000.

The principal security included in marketable securities is the Pine Vale Group's major investment in Woodside-Burmah Oil N.L. valued at a cost of $3,417,000. This investment had a quoted value of $9,225,000 on March 15, 1973. Forty-one other Australian, Canadian and United States stocks make up the balance of the marketable securities.

Cash and short term deposits are mainly held by the Pine Vale Group and Mogul of Ireland. The bank loans in Canada resulted from the Company's additional investment in Australia during 1972. It is expected that this loan will be repaid shortly after mid-year out of dividends received from Mogul of Ireland. Sufficient funds will be retained by Mogul of Ireland out of the proceeds of production for working capital requirements and the excess will be paid as dividends on a quarterly basis to its shareholders.

Accounts receivable increased substantially during the year. The payment of certain accounts to the Pine Vale Group and the recovery of certain insurance claims by Mogul of Ireland is expected to reduce the amount of accounts receivable in 1973.

Investments

Investments are a substantial part of the Company's net worth and future potential. The total market value of investments with a book value of $9,881,000 has increased by $2,753,000 since December 31, 1972 to $11,200,000 as at March 15, 1973.

The principal investments of the Company having a quoted market value are as follows:

Investments	Number of Shares	Market Value Mar. 15, 1973
The Grand Bahama Development Company, Limited	2,007,100	$ 4,265,000
New Quebec Raglan Mines Limited	567,420	3,745,000
Coldstream Mines Limited	460,599	1,750,000
Parkland & Properties Limited	632,000	401,000
McDonald Industries Limited	1,268,408	465,000
Cartier Quebec Explorations Limited	620,000	99,000
City Associated Enterprises Limited	108,300	65,000
Other		410,000
		$11,200,000

Management believes that all these investments have good potential which cannot be easily measured by reference to their book value or related market quotations.

Investments — shares without quoted market value and advances

This item may be summarized as follows:

Shares, at cost	$2,060,000
Advances	1,251,000
	$3,311,000

The major investments included above are Bluemount Resources Limited at $1,425,000, Galanty Limited at $244,000 and sundry other holdings at $391,000.

Advances represent loans to related companies or to companies in which the Company has invested. It is expected that all such advances will either be repaid to the Company or converted to shares.

Fixed Assets

Details of fixed assets are set out in Note 3 to the financial statements where the method of providing for depreciation, depletion and amortization is also set out.

The cost of the mining and milling plant in Ireland with a net book value of approximately $7,965,000 is included in this section. Mogul of Ireland is now free of long-term debt and dividends received from this source will generate a substantial cash flow for the Company in future years. It is Management's opinion that the value of Mogul of Ireland is best indicated by the cash flow it generates. Most of the consolidated cash flow of $6,385,000 or $2.45 per share, was contributed by Mogul of Ireland.

Mining Claims and Rights

The Company follows the practice of deferring exploration and development expenditures on non-producing mining properties. The cost of such mining claims and rights and exploration work thereon has been deferred.

The principal properties are:

In Australia		$1,172,000
In Ireland (excluding Mogul of Ireland)		509,000
In Canada:		
Lake Ainslie, Nova Scotia	$572,000	
Broughton & Leeds Twps., Que	772,000	
Other	834,000	2,178,000
In U.S.A.		549,000
		$4,408,000

Deferred Preproduction Expenditures and Other Charges

The major portion of this item is preproduction expenditures of Mogul of Ireland recorded at $5,833,000. These expenditures are amortized each year on the same basis as fixed assets.

Repairs and maintenance and major development costs at Mogul of Ireland are charged to operations, only major improvements and replacements are capitalized as fixed assets. Upon sale or retirement of any fixed assets, the cost of such assets and related accumulated depreciation are removed from the accounts and any gains or losses therein are taken into earnings.

Long-Term Debt

Specific details of long-term debt are outlined in Note 5 to the financial statements. The 8⅝% Secured Loan is a debt of the Pine Vale Group of companies. The 7% and 8% mortgages are carried on the head office premises owned by the Company. The 12% mortgage was placed on the assets of a subsidiary company and was negotiated prior to the Company securing control.

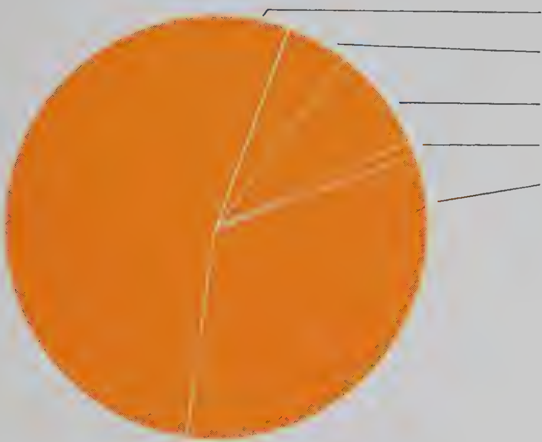
Consolidated Statements of Income and Retained Earnings and Source and Application of Funds

The 1972 earnings show a healthy increase over 1971. Earnings per share before extraordinary items increased by 87% to $1.77 per share.

The cash flow generated from our operations illustrates the improvement in the Company's overall financial position. Cash flow for the year amounted to $2.45 per share. The following table summarizes sources and application of funds for the year:

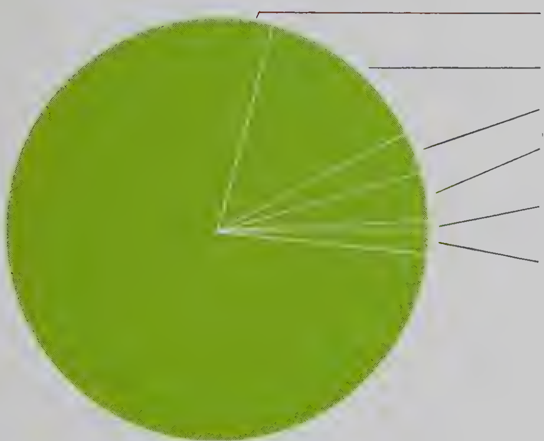
Working capital, beginning of year		$ 3,869,000

Funds made available from:



	%	
Operations	53.3	8,024,000
Extraordinary gain on investments	5.1	773,000
Cost of investments sold	7.6	1,144,000
Incentive grants and other	0.9	123,000
Increase in working capital arising from acquisition of interest in Pine Vale Group	33.1	4,992,000
	100.0	15,056,000

Funds used for:



	%	
Reduction of long-term debt	76.8	6,569,000
Investment in shares and advances	13.3	1,145,000
Purchase of fixed assets	3.6	306,000
Exploration expenditures deferred	4.0	338,000
Preproduction expenditures deferred	0.4	34,000
Other	1.9	160,000
	100.0	8,552,000

Working capital, end of year $10,373,000

Financial Statements/1972

Auditors' Report

To the Shareholders of
INTERNATIONAL MOGUL MINES LIMITED

We have examined the consolidated balance sheet of International Mogul Mines Limited, its subsidiaries and certain effectively controlled companies as at December 31, 1972 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Gunn & Co.
Chartered Accountants

Toronto, Canada
March 26, 1973.

International Mogul Mines Limited
(Incorporated under the laws of Ontario)

Consolidated Balance Sheet

December 31, 1972
(with comparative figures at December 31, 1971)

Assets	1972	1971 (Note 9(a))
CURRENT ASSETS		
Cash and short-term deposits	$ 5,032,000	$ 1,797,000
Accounts receivable	1,980,000	1,087,000
Marketable securities, at lower of cost and market (quoted market value 1972, $9,782,000; 1971, $389,000)	6,072,000	380,000
Concentrates on hand and in process of settlement, at net realizable value	2,569,000	2,413,000
Inventories, at cost	1,457,000	1,250,000
Prepaid expenses and deposits	201,000	45,000
	17,311,000	6,972,000
INVESTMENTS (note 2)		
Shares with quoted market value (quoted market value 1972, $8,447,000; 1971, $12,057,000)	9,881,000	10,193,000
Shares without quoted market value and advances	3,311,000	2,291,000
	13,192,000	12,484,000
FIXED ASSETS (note 3)	11,749,000	11,976,000
MINING CLAIMS AND RIGHTS		
Cost	667,000	664,000
Deferred exploration and development	3,741,000	2,340,000
	4,408,000	3,004,000
DEFERRED PREPRODUCTION EXPENDITURES and other charges, amortized value (note 3)	6,107,000	7,033,000
	$52,767,000	$41,469,000

Liabilities	1972	1971 (Note 9(a))
CURRENT LIABILITIES		
Bank loans, secured by certain investments	$ 3,662,000	
Accounts payable and accrued liabilities	2,519,000	$ 2,827,000
Royalties payable	410,000	206,000
Income taxes payable (note 4)	157,000	
Current portion of long-term debt	190,000	70,000
	6,938,000	3,103,000
LONG-TERM DEBT (note 5)	929,000	7,022,000
INTERESTS OF MINORITY SHAREHOLDERS (note 6)	12,314,000	3,362,000

Shareholders' Equity

CAPITAL STOCK (note 7)		
Authorized — 4,000,000 Common Shares without par value		
Issued — 2,607,112 Common Shares	11,061,000	11,061,000
CONTRIBUTED SURPLUS	2,028,000	2,028,000
RETAINED EARNINGS	19,497,000	14,893,000
	32,586,000	27,982,000
Approved by the Board: "D. W. Knight", Director "R. D. Bell", Director	$52,767,000	$41,469,000

Consolidated Statement of Income and Retained Earnings

Year ended December 31, 1972
(with comparative figures for 1971)

	1972	1971 (Note 9(a))
REVENUE		
From production of concentrates	$16,014,000	$11,906,000
Sale of manufactured goods	870,000	605,000
	16,884,000	12,511,000
EXPENSE		
Cost of concentrate production	7,184,000	6,369,000
Cost of manufactured goods sold	665,000	448,000
Depreciation, depletion and amortization (note 3)	1,781,000	1,704,000
Royalty expense (note 3)	394,000	75,000
Administrative and general expense	964,000	709,000
Interest on long-term debt	309,000	618,000
General exploration and property maintenance	103,000	102,000
Exploration expenditures and related costs on mining claims abandoned	72,000	143,000
	11,472,000	10,168,000
	5,412,000	2,343,000
OTHER INCOME (NET)		
Interest	141,000	181,000
Gain on currency revaluations	378,000	335,000
Gain on investments and marketable securities	257,000	264,000
	776,000	780,000
Income before interests of minority shareholders and extraordinary items	6,188,000	3,123,000
Interests of minority shareholders in net income of subsidiaries	1,757,000	761,000
Income before extraordinary items	4,431,000	2,362,000
Extraordinary items (note 8)	173,000	(1,409,000)
NET INCOME FOR THE YEAR	4,604,000	953,000
Retained earnings at beginning of year	14,893,000	13,940,000
RETAINED EARNINGS AT END OF YEAR	$19,497,000	$14,893,000
EARNINGS PER SHARE		
Before extraordinary items	$1.70	$0.91
Net income for the year	$1.77	$0.37

Consolidated Statement of Source and Application of Funds

Year ended December 31, 1972
(with comparative figures for 1971)

	1972	1971 (Note 9(a))
SOURCE OF FUNDS		
Income before interests of minority shareholders and extraordinary items	$ 6,188,000	$ 3,123,000
Add items not involving current funds		
Depreciation, depletion and amortization	1,781,000	1,704,000
Other	55,000	182,000
	8,024,000	5,009,000
Extraordinary net realized gains (loss) on investments	773,000	(93,000)
Cost of investments sold	1,144,000	318,000
Increase in working capital arising from acquisition of interest in Pine Vale Group	4,992,000	
Incentive grants	92,000	39,000
Other	31,000	26,000
	15,056,000	5,299,000
APPLICATION OF FUNDS		
Reduction of long-term debt	6,569,000	5,117,000
Investment in shares and advances	1,145,000	2,974,000
Purchase of fixed assets	306,000	789,000
Exploration expenditures deferred	338,000	661,000
Deferred preproduction expenditures	34,000	317,000
Other	160,000	7,000
	8,552,000	9,865,000
Increase (decrease) in working capital	6,504,000	(4,566,000)
Working capital at beginning of year	3,869,000	8,435,000
WORKING CAPITAL AT END OF YEAR	$10,373,000	$ 3,869,000

Notes to Consolidated Financial Statements

Year ended December 31, 1972

1. Basis of Consolidation

(a) Subsidiaries Consolidated

The consolidated statements include the accounts of all the Company's subsidiaries, the principal ones being:

	% Owned	Accounts Expressed in
Mogul of Ireland Limited ...	75	£ Sterling
I. M. M. (Trading) Pty. Limited	100	$ Australian
Lorado of Bahamas, Limited	100	$ United States
I. M. M. Ventures Limited ...	100	$ Canadian

(b) Foreign Currency Translation

In the accompanying financial statements, current assets, current liabilities and long-term debt have been translated at the prevailing rates of exchange as at December 31, 1972 and 1971 respectively. Other assets have generally been translated at the average rate of exchange for the years in which they were acquired. Income and expense items have been translated at the average rate of exchange during each year, except that depreciation, depletion and amortization are translated at the same rates as related assets.

The assets, other than current assets, of the Pine Vale Group have been translated from Australian to Canadian dollars at the average rate of exchange for 1972 prior to revaluation of the Australian dollar on December 23, 1972.

(c) I. M. M. (Trading) Pty. Limited and the Pine Vale Group

The consolidated balance sheet of I. M. M. (Trading) Pty. Limited includes, on a fully consolidated basis, a 47.7% owned company, Pine Vale Mines Limited, and its subsidiaries (Pine Vale Group). The Pine Vale Group of companies is included in the 1972 consolidated balance sheet to more accurately reflect the overall financial position of the Company. The inclusion of these companies is in accordance with the recent recommendations of The Canadian Institute of Chartered Accountants.

I. M. M. (Trading) Pty. Limited acquired its 47.7% interest in Pine Vale from time to time during the period May to December, 1972 by an exchange of shares of another company and by open market purchases. The acquisition was accounted for as a purchase effective December 31, 1972 and accordingly the results of the operations of the Pine Vale Group for 1972 have not been included in these consolidated financial statements. The excess of cost of acquisition of the Pine Vale shares over book value of $543,000 has been attributed to the cost of the substantial investment of the Pine Vale Group in Woodside-Burmah Oil N.L.

The Pine Vale Group includes fifteen subsidiaries, the principal ones being Beaver Exploration Austrialia N.L. (57.5% owned) and Otter Exploration N.L. (56.5% owned).

Details of the acquisition of the Pine Vale Group are as follows:

Net assets acquired:	
Proportion of net assets at book value.	$3,694,000
Adjustment to fair value	543,000
	$4,237,000
Consideration given:	
Cash	$2,461,000
Exchange of 15,176,000 shares of another company	1,776,000
	$4,237,000

2. Investments

Investments in shares are valued at cost or less depending upon the underlying value of the investment and the quoted market value. In some instances investments are valued in excess of quoted market value. At December 31, 1972 the book value of shares with quoted market value exceeded the aggregate market value by $1,434,000. At December 31, 1971 the aggregate market value exceeded the book value of shares by $1,864,000.

Because of the large blocks of shares held in certain companies the quoted market values are not necessarily indicative of the value of the investments, which may be more or less than indicated by market quotations.

3. Fixed Assets

(a) Summary	**1972**	**1971**
In Ireland, at cost		
Mineral leases and rights	$ 1,806,000	$ 1,806,000
Land, buildings, plant and equipment	11,458,000	11,299,000
In Canada, at cost or less than cost		
Land, buildings, plant and equipment	2,256,000	2,216,000
In Australia, at cost		
Land, buildings, plant and equipment	1,152,000	55,000
	16,672,000	15,376,000
Less accumulated depreciation and depletion	4,923,000	3,400,000
	$11,749,000	$11,976,000

(b) Depreciation, Depletion and Amortization Policy

Mogul of Ireland Limited provides for depreciation of fixed assets, depletion of mineral leases and rights and amortization of deferred preproduction expenditures and other charges on a straight line basis. These assets will be written off over the life of the mine, based on ore reserves established from time to time except for certain fixed assets whose life is estimated to be shorter than that of the mine.

The Canadian and Australian fixed assets are depreciated on a straight line basis at the following rates:

Buildings	2½% and 5%
Plant and equipment	10% to 33⅓%

(c) Mineral Leases and Rights

Mineral rights to the Silvermines property in Ireland were acquired in various parcels either by outright purchase or by lease and sub-lease from the Republic of Ireland and others. Some leases and sub-leases call for the payment of royalties under certain conditions upon commencement of production. The mineral rights leased from the Republic, which comprise about 40% of the remaining G Zone orebody, are leased until December 1, 1995 subject to the payment of an annual royalty ranging from 4% to 10% of the profits therefrom.

4. Income Taxes
The Company has no taxable income for 1972 and has undepreciated capital cost, exploration and development expenditures and other allowances available to offset future income. No provision for income taxes is required for Mogul of Ireland Limited on income from mining operations until 1988. Income taxes of $157,000 are payable by the Pine Vale Group on earnings prior to the effective date of acquisition.

5. Long-term Debt

Long-term debt consists of:	1972	1971
7% First Mortgage Bonds		$6,500,000
8⅝% Secured loan maturing 1976	$596,000	
8% Mortgage maturing 1979 ..	179,000	182,000
7% Mortgage maturing 1981 ..	206,000	223,000
12% Mortgage maturing 1975 .	138,000	187,000
	1,119,000	7,092,000
Less current portion included in current liabilities	190,000	70,000
	$929,000	$7,022,000

The rate of interest on the Secured Loan is adjusted in April and October of each year on the basis of the then prevailing six month Euro-dollar interest rate.

6. Interests of Minority Shareholders
Minority interests are attributable to the minority shareholders of:

	1972	1971
Mogul of Ireland Limited	$ 4,621,000	$3,038,000
Pine Vale Group...........	7,385,000	
Other subsidiaries.........	308,000	324,000
	$12,314,000	$3,362,000

7. Stock Options
The Company has reserved 100,000 Common Shares under an incentive option plan for employees of the Company and its subsidiaries. Any such option granted is to be at a price of not less than 90% of the market value of the Common Shares at the date of grant. Options are in good standing for five years from the date of grant, exercisable on a cumulative basis as to 20% of the Common Shares optioned in any one year.

At December 31, 1972 options were outstanding to acquire 47,000 Common Shares at $17 per share and 10,500 Common Shares at $7.50 per share.

Subsequent to December 31, 1972, 860 Common Shares were issued under the stock option plan at $7.50 per share.

On February 13, 1973 options on 47,000 Common Shares at $17 were cancelled and options were granted covering 81,100 Common Shares at $12.50 per share.

Options are now outstanding as follows:

Year of grant	Option price per Common Share	No. of Common Shares	Expiry Date
1971	$ 7.50	9,640	October 1, 1976
1973	$12.50	81,100	February 12, 1978
		90,740	

8. Extraordinary Items

	1972	1971
Net realized gains (loss) on investments as shown on consolidated statement of source and application of funds.....................	$ 773,000	$ (93,000)
Write down of investments which did not involve current funds		(1,316,000)
Allowance for possible decline in value of some venture capital projects...	(600,000)	
As shown on consolidated statement of income and retained earnings	$ 173,000	$(1,409,000)

9. Other Information

(a) Reclassification and Restatement
Certain figures have been reclassified and/or restated on the basis of 1972 consolidated financial statement presentation.

In particular certain subsidiaries not consolidated in 1971 have been included in the consolidation for 1972 and the figures for 1971 have been restated. The significant effects of restatement are to increase working capital at December 31, 1971 by $201,000 and to decrease net income for the year and retained earnings at end of year by $135,000 and $193,000 respectively.

(b) Remuneration
Direct remuneration of the Company's directors and senior officers (as defined in The Business Corporations Act) from the Company and its subsidiaries was $352,000 in 1972 ($322,000 in 1971).

10. Subsequent Events
(a) On March 23, 1973 the directors of the Company approved a policy of paying dividends semi-annually and declared a dividend of 12½¢ per Common Share payable July 1, 1973 to Shareholders of record June 1, 1973.

(b) On March 26, 1973 the directors of the Company authorized the amendment of the Articles of the Company to increase its authorized capital by creating 1,000,000 First Preference Shares with a par value of $20 each.

(c) On the same date the Company signed a letter of intent which provided for the sale and issuance of up to $6,000,000 of Cumulative Redeemable Convertible First Preference Shares Series A with a par value of $20 each.

Directors

R. D. Bell, C.A., *Toronto, Ontario*
Vice-President, Finance of the Company

H. R. Bennett, B.Comm., *Toronto, Ontario*
Partner, Richardson Securities of Canada

Latham C. Burns, B.A., *Toronto, Ontario*
President, Burns Bros. and Denton Limited

P. S. Cross, B.A.Sc., *Toronto, Ontario*
Vice-President, Mining Operations of the Company

Robert A. Davies, Q.C., LL.M., *Toronto, Ontario*
Partner, law firm of Davies, Ward & Beck

E. T. Donaldson, *Toronto, Ontario*
Mine Developer

William James, Ph.D., *Toronto, Ontario*
Partner, James & Buffam, Consulting Geologists

D. W. Knight, *Toronto, Ontario*
Chairman of the Board and Chief Executive Officer of the Company

John Kostuik, B.Sc., *Toronto, Ontario*
President, Denison Mines Limited

E. B. McConkey, C.A., *Toronto, Ontario*
Vice-President, Finance and Treasurer, Denison Mines Limited

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Vice-President and Secretary of the Company

S. A. Perry, F.C.I.S., *Toronto, Ontario*
Honorary Chairman of the Board of the Company

F. Gerald Townsend, F.C.A., *Mississauga, Ontario*
President and Chief Operating Officer of the Company

W. W. Weber, Ph.D., *Toronto, Ontario*
Vice-President, Exploration of the Company

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D. W. Knight, *Chairman of the Board and Chief Executive Officer*

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W. W. Weber, Ph.D., *Vice-President, Exploration*

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D. A. Humby, C.A., *Assistant Secretary*

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Thorne Gunn & Co., Toronto, Ontario

Counsel
Davies, Ward & Beck, Toronto, Ontario

Transfer Agent and Registrar
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Listing
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